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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**[Docket No. FR-5826-N-01]**

**Notice of HUD-Held Healthcare Loan Sale (HLS 2015-1)**

**AGENCY:** Office of the Assistant Secretary for Housing - Federal Housing Commissioner, HUD.

**ACTION:** Notice of sale of a healthcare mortgage loan.

**SUMMARY:** This notice announces HUD's intention to sell an unsubsidized healthcare mortgage loan, without Federal Housing Administration (FHA) insurance, in a competitive auction (HLS 2015-1 or Loan Sale) on or about December 17, 2014. This notice also describes generally the bidding process for the sale and certain persons who are ineligible to bid.

**DATES:** A Bidder's Information Package (BIP) was made available on or about November 13, 2014. Bids for the loan must be submitted on the bid date of December 17, 2014 between certain specified hours. HUD anticipates that an award will be made on or before December 22, 2014. Closing is expected to take place between December 23, 2014 and December 31, 2014.

**ADDRESSES:** To become a qualified bidder and receive the BIP, prospective bidders must complete, execute, and submit a Confidentiality Agreement and a Qualification Statement acceptable to HUD. Both documents will be available on the HUD website at [www.hud.gov/fhaloansales](http://www.hud.gov/fhaloansales). Please fax or email as well as mail executed original documents to JS Watkins Realty Partners, LLC:

J.S. Watkins Realty Partners, LLC  
c/o The Debt Exchange  
133 Federal Street, 10<sup>th</sup> Floor  
Boston, MA 02111  
Attention: HLS 2015-1 Sale Coordinator  
Fax: 1-978-967-8607  
Email: hls2015-1@debttx.com

**FOR FURTHER INFORMATION CONTACT:** John Lucey, Director, Asset Sales Office, Room 3136, U.S. Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410-8000; telephone 202-708-2625, extension 3927. Hearing- or speech-impaired individuals may call 202-708-4594 (TTY). These are not toll-free numbers.

**SUPPLEMENTARY INFORMATION:** HUD announces its intention to sell, in HLS 2015-1, an unsubsidized healthcare mortgage loan (Mortgage Loan) secured by a hospital (medical center) located in Texas. The Mortgage Loan is a non-performing mortgage loan. The listing of the Mortgage Loan is included in the BIP. The Mortgage Loan will be sold without FHA insurance and with HUD servicing released. HUD will offer qualified bidders an opportunity to bid competitively on the Mortgage Loan.

The Qualification Statement describes the entities/individuals that may be qualified to bid on the Mortgage Loan if they meet certain requirements as detailed in the Qualification Statement. Some entities/individuals must meet additional requirements in order to be qualified to bid, including but not limited to: (1) Any mortgagee/servicer who originated the Mortgage Loan; (2) a mortgagor, a healthcare operator, or member of the hospital Board of Directors with respect to any HUD insured or subsidized mortgage loan (excluding the Mortgage Loan being offered in the Loan Sale) who is currently in default, violation, or noncompliance with one or more of HUD's requirements or business agreements; (3) a limited partner, nonmanaging

member, investor and/or shareholder who owns a 1% or less interest in the Mortgage Loan, or in the project securing the Mortgage Loan; (4) and any of the aforementioned entities'/individuals' principals, affiliates, and assigns. Interested entities/individuals who fall into one of these categories should review the Qualification Statement to determine whether they may be eligible to qualify to submit a bid on the Mortgage Loan. Other entities/individuals not described herein may also be restricted from bidding on the Mortgage Loan, as fully detailed in the Qualification Statement.

### **The Bidding Process**

The BIP describes in detail the procedure for bidding in HLS 2015-1. The BIP also includes a standardized non-negotiable loan sale agreement (Loan Sale Agreement).

As part of its bid, each bidder must submit a minimum deposit of the greater of 10 percent of the total bid or \$100,000. HUD will evaluate the bids submitted and determine the successful bid(s) in its sole and absolute discretion. If a bidder is successful, the bidder's deposit will be non-refundable and will be applied toward the purchase price, with any amount beyond the purchase price being returned to the bidder. Deposits will be returned to unsuccessful bidders. Closings are expected to take place between December 23, 2014 and December 31, 2014.

These are the essential terms of sale. The Loan Sale Agreement, which is included in the BIP, contains additional terms and details. To ensure a competitive bidding process, the terms of the bidding process and the Loan Sale Agreement are not subject to negotiation.

### **Due Diligence Review**

The BIP describes the due diligence process for reviewing loan files in HLS 2015-1. Qualified bidders will be able to access loan information remotely via a high-speed Internet

connection. Further information on performing due diligence review of the Mortgage Loans is provided in the BIP.

### **Mortgage Loan Sale Policy**

HUD reserves the right to reject any and all bids, in whole or in part, without prejudice to HUD's right to include the Mortgage Loan in a later sale. The Mortgage Loan will not be withdrawn after the Award Date except as is specifically provided for in the Loan Sale Agreement.

This is a sale of an unsubsidized mortgage loan, pursuant to Section 204(a) of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act of 1997, (12 U.S.C. 1715z-11a(a)).

### **Mortgage Loan Sale Procedure**

HUD selected a competitive sale as the method to sell the Mortgage Loan. This method of sale optimizes HUD's return on the sale of this Mortgage Loan, affords the greatest opportunity for all qualified bidders to bid on the Mortgage Loan, and provides the quickest and most efficient vehicle for HUD to dispose of the Mortgage Loan.

### **Bidder Eligibility**

In order to bid in the sale, a prospective bidder must complete, execute and submit both a Confidentiality Agreement and a Qualification Statement acceptable to HUD. The following individuals and entities are among those ineligible to bid on the Mortgage Loan being sold in HLS 2015-1:

1. A mortgagor or a member of a hospital Board of Directors, with respect to the Mortgage Loan being offered in the Loan Sale, or an Active Shareholder with respect to the Mortgage Loan as

defined by paragraph E of the Qualification Statement, including any and all of their principals, affiliates, assigns, and family member(s);

2. Any individual or entity, and any Related Party (as such term is defined in the Qualification Statement) of such individual or entity, that is a mortgagor, healthcare operator, or a member of a hospital Board of Directors with respect to any of HUD's multifamily and/or healthcare programs (excluding the Mortgage Loan being offered in the Loan Sale) and that has failed to file financial statements or is otherwise in default under such mortgage loan or is in violation or noncompliance of any regulatory or business agreements with HUD and fails to cure such default or violation by no later than December 3, 2014.

3. Any individual or entity that is debarred, suspended, or excluded from doing business with HUD pursuant to Title 24 of the Code of Federal Regulations, Part 24, and Title 2 of the Code of Federal Regulations, Part 2424;

4. Any contractor, subcontractor and/or consultant or advisor (including any agent, employee, partner, director, principal or affiliate of any of the foregoing) who performed services for, or on behalf of, HUD in connection with HLS 2015-1;

5. An FHA-approved mortgagee, including any principals, affiliates, or assigns thereof, that has received FHA insurance benefits for the same Mortgage Loan being offered in the Loan Sale;

6. An FHA-approved mortgagee and/or loan servicer, including any principals, affiliates, or assigns thereof, that originated the Mortgage Loan being offered in the Loan Sale *if* the Mortgage Loan defaulted within two years of origination and resulted in the payment of an FHA insurance claim;

7. Any employee of HUD, a member of such employee's family, or an entity owned or controlled by any such employee or member of such an employee's family;

8. Any individual or entity that uses the services, directly or indirectly, of any person or entity ineligible under provisions (1) through (7) above to assist in preparing its bid on the Mortgage Loan.
10. Any affiliate, principal or employee of any person or entity that, within the two-year period prior to December 1, 2014, serviced the Mortgage Loan or performed other services for or on behalf of HUD;
9. Any contractor or subcontractor to HUD that otherwise had access to information concerning the Mortgage Loan on behalf of HUD or provided services to any person or entity which, within the two-year period prior to December 1, 2014, had access to information with respect to the Mortgage Loan on behalf of HUD;
10. Any employee, officer, director or any other person that provides or will provide services to the prospective bidder with respect to the Mortgage Loan during any warranty period established for the Loan Sale, that serviced the Mortgage Loan or performed other services for or on behalf of HUD within the two-year period prior to December 1, 2014, or provided services to any person or entity which serviced, performed services or otherwise had access to information with respect to the Mortgage Loan for or on behalf of HUD.

The Qualification Statement provides further details pertaining to eligibility requirements. Prospective bidders should carefully review the Qualification Statement to determine whether they are eligible to submit bids on the Mortgage Loan in HLS 2015-1.

### **Freedom of Information Act Requests**

HUD reserves the right, in its sole and absolute discretion, to disclose information regarding HLS 2015-1, including, but not limited to, the identity of any successful bidder and its bid price or bid percentage for the Mortgage Loan, upon the closing of the sale of the Mortgage Loan. Even if HUD elects not to publicly disclose any information relating to HLS 2015-1,

HUD will have the right to disclose any information that HUD is obligated to disclose pursuant to the Freedom of Information Act and all regulations promulgated thereunder.

### **Scope of Notice**

This notice applies to HLS 2015-1 and does not establish HUD's policy for the sale of other mortgage loans.

Dated: November 26, 2014

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~~Biniam Gebre~~  
~~Acting Assistant Secretary for Housing—~~  
~~Federal Housing Commissioner~~  
Laura M. Marin  
Associate General Deputy Assistant Secretary for Housing-  
Associate Deputy Federal Housing Commissioner

**[FR-5826-N-01]**

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